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EXCELLENCE
IN ENERGY
ASSESSMENT

Elmhurst Energy Response to:
“Streamlined Energy & Carbon Reporting”
In Confidence

Prepared for: BEIS

4th Jan 2018



Domestic

Commercial

On Construction



1. Introduction

Elmhurst Energy are pleased that BEIS are seeking a consultation on 'Streamlines Energy and Carbon Reporting' 'raising awareness, reducing bills, saving' and as such we are delighted to respond to each question in turn.

In summary we believe that by linking the initiatives you will get great synergy, e.g. linking ESOS to CRC will improve both ESOS compliance and visibility and consistency of CRC

Elmhurst Energy Systems Limited is the UK largest government approved accreditation scheme for energy assessors and also holds an Approved registers of ESOS lead assessors. Elmhurst Digital is a trading name of Elmhurst Energy Systems for the provision of software applications in the energy efficiency sector.

The Consultation asked 18 questions and we have answered them all below. We hope you find the responses considered and useful for taking energy and carbon reporting forward in a progressive manner.

2. Questions and Answers

1. Do you agree that the proposed energy and carbon reporting policy should apply across the UK? [Yes or No] Please explain your answer.

Elmhurst does not have any strong views and understand that the context in Scotland is different to much of the UK requiring local solutions to local problems. In our experience within the energy performance of homes it is the Scottish Government has frequently pioneered innovative solutions to the improvement of energy efficiency.

Having said that many businesses operate cross border and therefore, to reduce the administrative burden, it is probably better to agree a common reporting system for the UK.



2. Do you have any comments on the analysis set out in the Impact Assessment?

We would welcome any additional evidence on costs and benefits to support a final assessment of impacts. Please contact us at reporting@beis.gov.uk if you would like to discuss our assumptions or provide us with additional sources of evidence, or if you would be interested in attending any analytical workshops we may hold.

No strong opinions

3. Do you agree that reporting should be done through annual reports? [Yes or No] Please explain your answer.

Yes, the reporting should be undertaken through annual reports but to maximise visibility key performance indicators (intensity metric), the comparison of that metric with similar industries and the companies policy on energy efficiency, should be exhibited in each of the companies offices so to demonstrate commitment and shame poor performing companies into action.

If yes, would any of the following, forming part of companies' annual reports, be better suited? a) Directors' reports, b) Strategic reports, or c) a new, bespoke report. Please explain your answer, note any issues you see with using these reports, and provide any comments on how proposals might best fit within the annual reports regime.

The report should be a separate bespoke report submitted alongside other statutory reports at Companies House.

4. Do you agree that from 2019 energy and carbon reporting to Companies House should be electronic? [Yes or No]. If yes, please specify any digital formats, such as XBRL / iXBRL, that may be suited to this purpose, and any opportunities and challenges these may present.

Yes, software applications would assist greatly with the collation of data, its presentation, submission and analysis. Elmhurst Digital would be pleased to offer advice on the development of such a report



5. **Do you agree that the government should seek to establish a mechanism for collating published energy and carbon data for example via a central published report or tool? Please explain your answer.**

Yes, and by doing such will assist with benchmarking across industry groups, which in turn will create a competitive environment and the identification of industry exemplars from which others can learn.

Elmhurst Digital would be pleased to offer advice on the design and development of such a collating tool that could include calculations such as intensity metrics based upon industry groupings.

6. **Do you think that the policy should apply to:**
A) all 'large' companies based on employee numbers and financial tests;
B) companies who meet the 6GWh ex-CRC annual electricity use threshold described; or
C) another threshold?

Please explain your answer. Please state if you have any views on whether reporting should be required to operate at the group or individual company level.

c) We believe that the likely energy consumption is best indicated by the number of employees, rather than financial tests, and propose that this policy be applied to all companies with greater than 250 employees (i.e. Mid-sized and above) irrespective of actual energy consumption or company turnover.

The number of employee threshold should be applied to all private and public businesses irrespective of their financial or legal status. By including public organisations, government will be leading by example and demonstrating the commitment they expect from others.

7. **If you prefer Population Approach A (all 'large' companies) which of the proposed company size definitions seems the most appropriate to you, (i) Companies Act 2006, or (ii) ESOS, or (iii) any others?**

If option A is adopted then for maximum impact the policy should apply to the largest possible group.

ESOS is derived from an EU directive and therefore to avoid cross references to EU legislation which may not exist post 2019. Elmhurst proposes that the policy is applied to all companies mid-sized and above, as used by Companies' House which is widely used and understood.

8. **If you prefer Population Approach C, which energy use threshold is most appropriate? Please explain your answer, and state who you think should be required to report, describing any other energy threshold(s) you may favour (with options including but not**



limited to 6GWh per year across all energy products, and 500MWh per year for each of electricity, gas, and transport).

We believe that the population threshold should be applied, and considering an 'energy use threshold' which simply complicates matters, which is at odds with the aim of this 'Call for Evidence'. Any company with 250 employees will have significant energy consumption, and in turn opportunities for savings.

9. Should reporting requirements within the Companies Act regime also apply to Limited Liability Partnerships (LLPs)? [Yes or No]. Please explain your answer.

Yes the policy should be applied to public and private companies, mid size and above, irrespective of their legal status.

10. Please state where you agree that UK quoted companies should continue, or start to report, on one or more of the following a) global Scope 1 and 2 GHG emissions b) an intensity metric, and start to report on c) global total energy use?

Please also provide any views and evidence on the effectiveness of the current mandatory GHG reporting regime in improving corporate transparency, reducing energy use, and reducing emissions.

Elmhurst Energy believes that all quoted companies should be required to report on global Scope 1 and 2 GHG emissions and an intensity matrix, with a comparison to similar industries. This will establish the UK's position as a world leader when it comes to energy efficiency and climate change and maximise improvements by shaming poor performing companies.

Obviously monitoring global energy consumption is desirable, and should be encouraged as best practice, but in the absence of internationally agreed measures, monitoring and enforcement could be misleading at this stage.

11. Do you agree that UK unquoted companies in scope should report on a) total UK energy use, b) Scope 1 and 2 GHG emissions associated with UK use c) an intensity metric? Please explain your answer.

Yes the policy should be applied to all mid-sized and large companies irrespective of their legal status. It is a companies' size, not their "quoted status" that impacts the environment, and their access to resources to take action



Do you agree that only electricity, gas and transport energy should be in scope for unquoted companies? [Yes or No]. Please explain your answer, and if no please set out what you think the scope should be.

No, for consistency and simplicity unquoted companies (mid size and above) should be treated in the same way as quoted companies of the same size.

- 12. Should the government a) mandate the use of specific intensity metrics by sector; b) propose best practice in any guidance; or c) leave the matter to sectors, and to existing best practice and guidance?**

The government should specify by sector (using standard industrial classifications codes) the metric to be used to collate scores and then publish average figures by sector so that performance can be compared.

- 13. A) Do you think it should be mandatory for UK quoted and unquoted companies in scope to include information from the most recent audit (including energy management systems such as ISO50001) on i) any identified energy savings opportunities [Yes or No] and ii) any energy efficiency action taken? [Yes or No].**

Elmhurst is in support of the proposal and believes government should insist that annual reporting of progress to deliver energy efficiency opportunities and actions to increase the focus on continuous improvement.

Annual reports should declare opportunities for improvement, targets that have been set and then, in subsequent reports, progress to achieving those targets.

Reports should be independently verified by a qualified ESOS assessor.

B) Building on the energy and carbon disclosures proposed here, please provide views on whether in the long-term any of the TCFD recommended voluntary disclosures should become mandatory disclosures within companies' annual reports.

Elmhurst believes that by adopting the proposals above, and extending the scope of ESOS to require historical analysis and forward planning the recommendations of TCFD can be delivered.



C) Please specify what support government could provide to support uptake of TCFD disclosures by companies from all sectors.

Government should;

- lead by example and adopt this reporting process for themselves, and all other public bodies.
- Consider a rating scheme (similar to an “A to G” EPC type rating) allowing ready comparison between companies. This could potentially be linked to an award for the best performing companies, similar to that operated by CDP.

Elmhurst would be keen to be involved in the design and delivery of such a scheme

D) Reporting of what other complementary information would add most value for businesses, the market and other stakeholders?

No further opinions

14. Please explain what guidance, tools and data companies might need: i) for financial and risk managers to understand climate risks and their implications for their business and ii) for companies to implement the TCFD recommendations in financial disclosures.

There would be major benefit to develop standardised tools to assist with the collation, presentation and analysis of energy performance data, such as transport costs, which would also make comparisons within an industry sector, and across sectors, easier and more reliable.

To prepare business for the adoption of Scope 3 emissions government could improve guidance and start to standardise methods of data collection and presentation.



- 15. What other policy approaches can work with reporting to drive energy efficiency, reduce bills, reduce emissions, and improve transparency for investors so they are more able to hold companies to account? We are particularly interested to hear about any implications of potential complementary policy approaches for the design of an energy and carbon reporting scheme.**

Government policy should promote the voluntary adoption of energy audits and reporting for companies currently out of scope. These smaller companies may require additional support and guidance, and it may be appropriate to provide financial incentives to cover upfront costs.

- 16. Please provide views and any information you may have on the relative costs and benefits of:**

A) (1) Central digital reporting and publication of energy and carbon data, including specifically how these costs and benefits compare to reporting through the Companies Act regime on paper that is scanned to images by Companies House to make it available

(2) Please outline the different costs and benefits of:

(i) mandating electronic energy and carbon reporting via Companies House, with complementary activity by government to collate public data and make a single central data set available

(ii) replacing reporting to Companies House with a new dedicated central IT portal, the data from which could be published

(iii) placing such a dedicated central IT portal alongside the current proposals

No strong opinions

B) (1) Dedicated administrator(s) and regulator(s), including specifically how these costs and benefits compare to administration and regulation of energy and carbon reporting as described within the Companies Act regime

(2) Please outline the different costs and benefits of administration and regulation in relation to both replacing the current proposed scheme and placing such a scheme alongside the current proposals.

No strong opinions



- 17. If replacing the proposed regime in future, please set out how a dedicated central energy and carbon reporting regime could continue to meet the needs of investors and others in relation to GHG reporting by UK quoted companies, currently required to be alongside financial information in annual reports.**

No strong opinions

- 18. Do you have any other comments on the description of how potential future enhancements to energy and carbon reporting might function under any of the possible approaches, have other suggestions for future enhancements, or consider that any aspects of energy and carbon reporting proposed for 2019 might be better deferred? Please explain your answer.**

The concept of ESOS is sound but its light touch was open to abuse. Elmhurst proposes that;

- The scope of ESOS should be made BREXIT friendly and mirror existing UK definition of mid sized and large companies, such as that used by Companies House. Public and government bodies should be included.
- The report format should be standardised and aligned with the seven principle of environmental reporting i.e. to be Relevant/ Quantitative / Accurate / Completeness / Consistent / Comparable / Transparent
- Audits should be undertaken annually.
- The report submission should be standardised and include identification of industry sector (SIC code), a summary of the opportunities identified and the agreed intensity metric.
- A company's performance within the sector should be presented with a rating that identifies the best performing companies
- The annual report should provide a commentary of progress towards previously identified energy saving opportunities.
- ESOS assessors should ideally be independent (i.e. not directly employed by the company under assessment) but if not the relationship should be declared.
- The quality assurance process around the production of ESOS reports needs to be reviewed to ensure consistency and to identify best practice from which others can learn.



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3. Contact Details

Should you require any further clarifications please contact us at:

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